CHAPTER 1 : OVERVIEW OF ECONOMIC PERFORMANCE IN 2025

***Summary***

* *The Hong Kong economy demonstrated remarkable resilience in 2025, notwithstanding episodes of heightened global trade tensions that resulted in higher tariffs on many trade flows. Real Gross Domestic Product (GDP)(1) grew robustly by 3.5% in 2025, faster than the preceding year and marking the third consecutive year of expansion. Growth momentum strengthened progressively over the course of the year, with the year-on-year growth accelerating from 3.2% in the first half to 3.7% and 3.8% in the third and fourth quarters respectively.*
* *Hong Kong’s total exports of goods increased solidly in 2025, driven by sustained strong demand for electronic-related products on the back of the massive global investment in artificial intelligence (AI) and other new technologies, and buoyant trade flows in the region. Exports of services also expanded notably in 2025, mainly supported by sustained growth in inbound tourism and cross-boundary traffic, as well as vibrant cross‑boundary financial service activities.*
* *Domestically, private consumption expenditure reverted to a modest increase in 2025 amid a gradual improvement in the local consumption market. Overall investment expenditure posted accelerated growth in 2025, alongside a more entrenched economic expansion.*
* *The labour market showed signs of stabilisation towards the latter part of 2025. The seasonally adjusted unemployment rate* *retreated slightly to 3.8% in the fourth quarter of 2025 from 3.9% in the previous quarter after trending up from 3.1% in the fourth quarter a year ago. The underemployment rate went up to 1.7% in the fourth quarter from 1.1% a year ago. Employment earnings continued to increase throughout the year.*
* *The local stock market staged a strong performance in 2025. The Hang Seng Index (HSI) closed the year at 25 631, achieving a notable 27.8% gain for the year as a whole. Trading activities were very active, with the average daily turnover surging to a record high. The residential property market showed a visible turnaround in 2025. After a relatively soft first quarter, the market has gained a firmer footing since the second quarter, and momentum strengthened more noticeably in the ensuing quarters. Flat prices reverted to a modest increase after three years of declines, and rentals sustained solid performance.*
* *Consumer price inflation remained modest throughout 2025. Price pressures on major components were generally soft, as cost pressures on the domestic and external fronts stayed mild, and firms in general remained prudent in raising prices amid the early stage of recovery in local consumption.*

**Overall situation**

* 1. The Hong Kong economy demonstrated remarkable resilience in 2025, notwithstanding episodes of heightened global trade tensions which resulted in higher tariffs on many trade flows. Real GDP grew by 3.5% in 2025, faster than the 2.6% growth in the preceding year and marking the third consecutive year of expansion. Total exports of goods increased solidly, and exports of services also expanded notably. Domestically, private consumption expenditure reverted to a modest increase, and overall investment expenditure posted accelerated growth.
  2. In terms of the quarterly profile, economic growth accelerated progressively through the year, with real GDP expanding by 3.1%, 3.2%, 3.7% and 3.8% year-on-year in the four quarters respectively.
  3. The labour market showed signs of stabilisation towards the latter part of 2025. Employment earnings continued to increase throughout the year. Local stock market staged a strong performance in the year. Residential property market showed a visible turnaround. Consumer price inflation remained modest throughout the year.



**The external sector**

* 1. *Total exports of goods* based on the GDP compilation framework grew solidly by 12.0% in real terms in 2025, a strong pick-up from the 5.3% growth in 2024. Global trade flows were affected by episodes of heightened global trade tensions as triggered by the tariffs of the United States (US) over the year. While the average import tariffs of the US increased visibly by end-2025 over a year ago, sustained strong demand for electronic-related products on the back of the massive global investment in AI and other new technologies, and buoyant trade flows in the region provided a stellar boost to export growth. Analysed by major market and with reference to external merchandise trade statistics, exports to the Mainland posted further double-digit growth. Exports to ASEAN markets soared, and those to most advanced economies in Asia increased by varying degree. Exports to the US recorded accelerated growth, while those to the European Union declined in the first three quarters but bounced back in the last quarter. Analysed by major product group, exports of most products showed growth, in particular for exports of electrical machinery and related parts, as well as telecommunications and sound recording equipment, which sustained strong performance.
  2. *Exports of services* expanded notably by 6.3% in real terms in 2025, an acceleration from the growth of 4.1% in 2024. Exports of all major service groups saw growth. Specifically, exports of travel and transport services increased visibly further thanks to sustained growth in inbound tourism and cross-boundary traffic. Exports of financial services picked up to expand noticeably, supported by vibrant cross-boundary financial service activities amid advancing global stock markets. Exports of business and other services also grew moderately further.

**Table 1.1 : Gross Domestic Product, its main expenditure components**

**and the main price indicators**

**(year-on-year rate of change (%))**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 2024# | 2025# | 2024 | | | | 2025 | | | |
|  |  |  | Q1# | Q2# | Q3# | Q4# | Q1# | Q2# | Q3# | Q4# |
| *Change in real terms of GDP and*  *its main expenditure components (%)* |  |  |  |  |  |  |  |  |  |  |
| Private consumption  Expenditure | -0.2 | 1.7 | 1.4  (0.4) | -1.5  (-0.4) | -0.7  (0.1) | 0.2  (0.2) | -0.9  (-0.7) | 2.3  (2.7) | 2.4  (0.2) | 2.7  (0.6) |
| Government consumption  expenditure | 0.7 | 1.6 | -1.5  (0.9) | 1.3  (-0.7) | 1.3  (0.5) | 1.8  (1.2) | 0.6  (-0.3) | 2.6  (1.0) | 2.0  (0.2) | 1.4  (0.3) |
| Gross domestic fixed  capital formation | 1.9 | 4.3 | -0.7 | 2.8 | 6.4 | -1.0 | 1.4 | 1.8 | 3.4 | 10.5 |
| Building and construction | 4.8 | -9.4 | 11.3 | 10.2 | 1.2 | -3.4 | -5.6 | -12.0 | -10.8 | -9.3 |
| Costs of ownership transfer | 11.6 | 38.9 | -35.7 | 31.5 | 6.8 | 74.9 | 41.1 | -8.3 | 78.3 | 68.4 |
| Machinery, equipment and  intellectual property products | -4.4 | 24.7 | -15.4 | -16.3 | 13.8 | -4.7 | 12.9 | 41.6 | 15.7 | 31.2 |
| Total exports of goods& | 5.3 | 12.0 | 7.3  (2.6) | 8.0  (0.2) | 4.6  (-0.8) | 1.9  (0.7) | 8.5  (8.3) | 11.6  (3.0) | 12.0  (0.1) | 15.5  (3.8) |
| Imports of goods& | 3.0 | 12.6 | 3.8  (0.5) | 3.9  (-0.3) | 3.4  (1.7) | 0.9  (-0.2) | 7.2  (6.1) | 12.7  (4.7) | 11.7  (1.1) | 18.4  (5.6) |
| Exports of services& | 4.1 | 6.3 | 9.3  (-0.3) | 0.2  (-1.3) | 1.6  (2.7) | 5.2  (3.9) | 5.9  (0.5) | 8.2  (1.1) | 6.6  (1.1) | 4.8  (1.8) |
| Imports of services& | 11.3 | 4.3 | 17.7  (3.5) | 11.6  (0.6) | 9.0  (1.8) | 7.5  (1.3) | 4.8  (0.8) | 6.6  (2.4) | 2.3  (-1.8) | 3.7  (2.5) |
| **Gross Domestic Product** | **2.6** | **3.5** | **2.9**  **(0.6)** | **3.0**  **(0.6)** | **2.1**  **(0.4)** | **2.5**  **(1.0)** | **3.1**  **(1.1)** | **3.2**  **(0.8)** | **3.7**  **(0.9)** | **3.8**  **(1.0)** |
| *Change in the main*  *price indicators (%)* |  |  |  |  |  |  |  |  |  |  |
| **GDP deflator** | **4.2** | **1.0** | **3.9**  **(1.3)** | **4.8**  **(1.3)** | **4.9**  **(0.6)** | **3.1**  **(-0.2)** | **1.3**  **(-0.3)** | **0.7**  **(0.5)** | **0.8**  **(0.6)** | **1.3**  **(0.4)** |
| **Composite CPI** |  |  |  |  |  |  |  |  |  |  |
| **Headline** | **1.7** | **1.4** | **1.9**  **(0.1)** | **1.2**  **(-0.4)** | **2.4**  **(1.5)** | **1.4**  **(0.2)** | **1.6**  **(0.3)** | **1.8**  **(-0.2)** | **1.1**  **(0.7)** | **1.3**  **(0.4)** |
| **Underlying^** | **1.1** | **1.1** | **1.0**  **(0.1)** | **1.0**  **(0.3)** | **1.1**  **(0.4)** | **1.2**  **(0.4)** | **1.2**  **(0.1)** | **1.1**  **(0.2)** | **1.0**  **(0.3)** | **1.1**  **(0.4)** |
| *Change in* **nominal GDP** *(%)* | **6.9** | **4.5** | **7.0** | **7.9** | **7.1** | **5.7** | **4.5** | **3.9** | **4.6** | **5.1** |

Notes : Figures are subject to revision later on as more data become available. The seasonally adjusted quarter-to-quarter rate of change is not applicable to gross domestic fixed capital formation, as no clear seasonal pattern is found for this category due to the presence of considerable short-term fluctuations.

(&) Figures are compiled based on the change of ownership principle in recording goods sent abroad for processing and merchanting under the standards stipulated in the *System of National Accounts*  *2008*.

(#) Revised figures.

(+) Seasonally adjusted quarter-to-quarter rate of change(2).

(^) After netting out the effects of the Government’s one-off relief measures.

**The domestic sector**

* 1. *Private consumption expenditure* reverted to a modest increase in 2025 amid a gradual improvement in the local consumption market. It resumed growth since the second quarter, with the pace accelerating slightly in the second half of the year. For 2025 as a whole, private consumption expenditure saw a modest increase of 1.7% in real terms, reversing the 0.2% decline in 2024. Meanwhile, *government consumption expenditure* increased by 1.6% in real terms in 2025, after an increase of 0.7% in 2024.

**Table 1.2 : Consumer spending by major component(a)**

**(year-on-year rate of change in real terms (%))**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | *Of* | *which :* |  |  |  |  |  |
|  |  | Total consumer spending in the domestic market(a) | Food | Durables | Non- durables | Services | Residents’ expenditure abroad | Visitor spending | Private consumption expenditure(b) |
|  |  |  |  |  |  |  |  |  |  |
| 2024 | Annual | -1.5 | -0.8 | -11.2 | -11.5 | 2.6 | 27.2 | 7.3 | -0.2 |
|  | H1 | -1.6 | -2.8 | -10.3 | -10.0 | 2.1 | 39.3 | 13.9 | -0.1 |
|  | H2 | -1.4 | 1.3 | -12.1 | -13.0 | 3.0 | 17.5 | 1.7 | -0.2 |
|  | Q1 | 0.7 | -1.8 | -8.6 | 0.4 | 2.4 | 59.2 | 41.4 | 1.4 |
|  | Q2 | -3.8 | -3.7 | -12.3 | -18.7 | 1.9 | 23.8 | -8.6 | -1.5 |
|  | Q3 | -2.4 | 0.8 | -14.1 | -15.6 | 2.2 | 19.2 | -3.1 | -0.7 |
|  | Q4 | -0.5 | 1.8 | -10.5 | -10.7 | 3.8 | 16.0 | 6.1 | 0.2 |
|  |  |  |  |  |  |  |  |  |  |
| 2025 | Annual | 2.2 | -0.1 | 3.7 | -0.5 | 3.1 | 3.2 | 9.6 | 1.7 |
|  | H1 | 1.2 | 0.2 | -12.0 | -2.6 | 3.7 | 4.2 | 9.2 | 0.8 |
|  | H2 | 3.2 | -0.3 | 17.9 | 1.6 | 2.6 | 2.3 | 9.9 | 2.6 |
|  | Q1 | -0.6 | -0.3 | -16.6 | -8.1 | 3.4 | 2.0 | 4.9 | -0.9 |
|  | Q2 | 2.9 | 0.6 | -6.2 | 3.1 | 4.0 | 6.4 | 14.6 | 2.3 |
|  | Q3 | 3.1 | -1.1 | 10.7 | 3.4 | 3.0 | 0.4 | 8.9 | 2.4 |
|  | Q4 | 3.3 | 0.5 | 23.4 | 0.1 | 2.2 | 4.0 | 10.8 | 2.7 |

Notes : (a) Consumer spending in the domestic market comprises both local consumer and visitor spending.

(b) Private consumption expenditure is obtained by deducting visitor spending from total consumer spending in the domestic market, and adding back residents’ expenditure abroad.



* 1. Overall investment spending in terms of *gross domestic fixed capital formation* posted accelerated growth of 4.3% in real terms in 2025, following the 1.9% increase in 2024. Expenditure on acquisitions of machinery, equipment and intellectual property products rose sharply by 24.7%, with private sector spending showing particularly strong growth. Costs of ownership transfer increased markedly by 38.9% as the number of property transactions bounced back strongly. These more than offset the weak performance in the expenditure on building and construction, which turned to a decline of 9.4%. Meanwhile, overall business sentiment has improved visibly since the second half of 2025 (See ***Box 1.1*** on business sentiment in Hong Kong).

**Box 1.1**

**Business sentiment in Hong Kong**

This box article gives a general overview of the prevailing business sentiment in Hong Kong, based on results from various surveys that are available in the public domain. Survey results indicate that overall business sentiment has improved visibly since the second half of 2025.

According to the results of the Census and Statistics Department (C&SD)’s Quarterly Business Tendency Survey (QBTS)(1), business sentiment among large enterprises in Hong Kong as shown in the latest two rounds of survey (conducted during 2 September 2025 to 10 October 2025 and during 1 December 2025 to 9 January 2026 respectively) improved markedly compared with those conducted earlier in 2025 (***Chart 1***). According to the latest survey, the proportion of large enterprises expecting their business situation to improve in the first quarter of 2026 over the previous quarter was smaller than the proportion of those expecting the situation to worsen by 3 percentage points (i.e. a net balance of -3). The reading was broadly similar to the net balance of -2 in the previous round, and was notably higher than those in the earlier rounds in 2025, which ranged from -10 to -8.

Business sentiment of large enterprises for the first quarter of 2026 showed diverse views across sectors regarding their business situation compared with the previous quarter (***Table 1***). The “financing and insurance” sector was in particular positive about the business outlook, whereas significantly more enterprises in the “construction” and “accommodation and food services” sectors expected their business situation to be worse. As for hiring appetite, the latest overall situation showed some slight easing compared with the previous round, yet broadly similar to the situation in early 2025 (***Table 2***).

|  |  |  |  |
| --- | --- | --- | --- |
| **Chart 1 : Business sentiment among large enterprises improved markedly compared to the situation earlier in 2025** | | | |
| The Quarterly Business Tendency Survey collected views from around 500-600 large establishments on their near-term business outlook. Respondents were asked to exclude seasonal influences in their responses.  **Box 1.1 (Cont’d)** | | | |
| **Table 1 : Business sentiment of large enterprises showed diverse views across sectors regarding their business situation** | | **Table 2 : Overall hiring sentiment of large enterprises showed some slight easing** | |
| |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | **QBTS: Expected changes in business situation** | | | | | | | |  | Net balance\* (% point) | | | | | | | 2024 | 2025 | | | | 2026 | | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | | Manufacturing | -19 | -22 | -20 | -2 | -15 | -15 | | Construction | -12 | -14 | -16 | -22 | -24 | -23 | | Import/export trade and wholesale | -8 | -15 | -19 | -18 | -11 | -12 | | Retail | -19 | -31 | +4 | -14 | +14 | -1 | | Accommodation and food services | -3 | -36 | -37 | -16 | +10 | -22 | | Transportation, storage and courier services | -1 | -27 | -25 | -31 | -11 | -13 | | Information and communications | -5 | -11 | -17 | -9 | -16 | -8 | | Financing and insurance | +2 | +10 | +8 | +11 | +13 | +21 | | Real estate | +6 | -15 | -11 | +3 | +7 | -4 | | Professional and business services | +3 | -8 | -6 | -14 | -9 | -12 | | **All sectors above** | **-3** | **-10** | **-9** | **-8** | **-2** | **-3** | | | |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | **QBTS: Expected changes in number of persons engaged** | | | | | | | |  | Net balance\* (% point) | | | | | | | 2024 | 2025 | | | | 2026 | | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | | Manufacturing | +3 | +4 | -2 | +4 | +15 | +10 | | Construction | -7 | -12 | -12 | -6 | -9 | -26 | | Import/export trade and wholesale | +4 | -4 | +1 | -6 | 0 | +3 | | Retail | +2 | 0 | +1 | 0 | -12 | -4 | | Accommodation and food services | -7 | -5 | -22 | -7 | +5 | +6 | | Transportation, storage and courier services | +10 | -2 | +6 | +9 | +7 | -19 | | Information and communications | -4 | -7 | -3 | -13 | -1 | -4 | | Financing and insurance | +5 | +9 | +6 | +4 | +2 | +7 | | Real estate | +9 | -1 | +15 | +10 | +11 | +10 | | Professional and business services | -3 | -5 | -3 | -6 | -10 | -13 | | **All sectors above** | **+1** | **-3** | **-2** | **-2** | **-1** | **-4** | | |
| Note : (\*) | Net balance indicates the direction of expected change in the business situation versus the preceding quarter. It refers to the difference in percentage points between the proportion of establishments choosing “better” over that choosing “worse”. A positive sign indicates a likely upward trend while a negative sign, a likely downward trend. | Note : (\*) | Net balance indicates the direction of expected change in the number of persons engaged versus the preceding quarter. It refers to the difference in percentage points between the proportion of establishments choosing “up” over that choosing “down”. A positive sign indicates a likely upward trend while a negative sign, a likely downward trend. |

As for small and medium-sized enterprises (SMEs), C&SD compiles a set of diffusion indices on a monthly basis(2) to gauge the general direction of change in their views on the business situation versus the preceding month. The overall index on the current situation was on a general upward trend since mid-2025 and reached a 21-month high in December 2025, though easing somewhat in January 2026 (***Chart 2a***). The employment sentiment among SMEs indicated a general improvement in the past six months or so compared with the situation in the earlier part of 2025, and credit conditions stayed accommodative. Meanwhile, the Standard Chartered Hong Kong SME Leading Business Index(3) reached a high of the year in the fourth quarter of 2025 before easing somewhat in the first quarter of 2026, yet the reading remained higher than the first three quarters of 2025.

As for other surveys in the public domain, the S&P Global Purchasing Managers’ Index (PMI) of Hong Kong(4), which gauges the performance of the private sector’s business activity, stayed above the boom-bust line for six consecutive months and rose to 52.3 in January 2026 (***Chart 2b***). The Hong Kong Trade Development Council (HKTDC) Export Confidence Index(5), which is compiled based on the information collected earlier during 17 October to 7 November 2025, indicated expectation of continued positive expansion prospects.

1. It refers to the results from the Monthly Survey on the Business Situation of SMEs that solicits feedback from a panel sample of around 600 SMEs each month.
2. Conducted independently by Hong Kong Productivity Council, the quarterly survey enables the public and SMEs to gain insights into the forthcoming business climate for better forward planning. The Overall Index comprises five areas, including local SMEs’ outlook on “Recruitment Sentiment”, “Investment Sentiment”, “Business Condition”, “Profit Margin”, and “Global Economy” for the next quarter.

**Box 1.1 (Cont’d)**

**Chart 2 : Other business sentiment indicators generally continued their positive momentum   
since the second half of 2025**



|  |  |  |
| --- | --- | --- |
| Notes : | (^) | The diffusion index is computed by adding the percentage of SMEs reporting “up” to one half of the percentage of SMEs reporting “same”. A diffusion index reading above 50 indicates that the business condition is generally favourable, whereas an index below 50 indicates otherwise. Respondents were asked to exclude seasonal effects in reporting their views. |
|  | (~) | Quarterly data. |
|  | (\*) | Quarterly data since 2024 Q1. A reading above 50 indicates an upward trend and an optimistic outlook, while a reading below 50 indicates a downward trend and a pessimistic outlook. |

It is worth noting that these surveys are essentially opinion-based, thereby unavoidably subject to various limitations (e.g. results are not directly comparable) and hence the results should be interpreted with care. These survey findings taken together suggest that overall business sentiment has improved visibly since the second half of 2025. Looking forward, while there are still uncertainties in the external environment that warrant monitoring, the positive momentum of the Hong Kong economy should help support continued improvement in local business sentiment.

1. The S&P Global Hong Kong PMI is compiled according to monthly replies to questionnaires sent to purchasing managers in around 400 private sector companies. It is a composite index based on five individual indices with the following weights: New Orders (30%); Output (25%); Employment (20%); Suppliers’ Delivery Times (15%); and Stocks of Purchases (10%), with the Suppliers’ Delivery Times index inverted so that it moves in a comparable direction. Survey responses reflect the change, if any, in the prevailing month compared to the previous month.
2. The HKTDC Export Confidence Index aims to gauge the prospects of the near‑term export performance of Hong Kong traders. It is a composite index based on five individual sub-indices with the following weight: Sales and New Orders (50.0%); Trade Value (12.5%); Cost (12.5%); Procurement (12.5%); and Inventory (12.5%), with the Cost index and Inventory index inverted so that they move in comparable direction. The business confidence survey is conducted on a quarterly basis, with more than 500 participating Hong Kong traders from six major industry sectors interviewed, namely electronics, clothing, toys, jewellery, timepieces and equipment/materials.

**The labour sector**

* 1. The labour market showed signs of stabilisation towards the latter part of 2025. The seasonally adjusted *unemployment rate* retreated slightly to 3.8% in the fourth quarter of 2025 from 3.9% in the previous quarter after trending up from 3.1% in the fourth quarter a year ago. The *underemployment rate* went up to 1.7% in the fourth quarter from 1.1% a year ago. The unemployment rates of many sectors went down in the fourth quarter as compared with the preceding quarter. Employment earnings continued to increase throughout the year.

**The asset markets**

* 1. The *local stock market* staged a strong performance in 2025. The market was initially boosted by the Mainland’s breakthrough development in AI, before experiencing a sharp correction alongside other major markets upon the US’ announcement of the so-called “reciprocal tariffs” in early April. Market sentiment subsequently improved and remained positive for the rest of the year amid a thriving technology sector, gradual easing of trade tensions, and US interest rate cuts. The HSI closed the year at 25 631, achieving a notable 27.8% gain for the year as a whole. Trading activities were very active, with the average daily turnover surging by 89.5% to a record high of $249.8 billion. Fund raising activities thrived. Total equity capital raised leaped by 236.0% to $645.9 billion in 2025. Within the total, the amount of funds raised through Initial Public Offerings (IPOs) increased by 226.1% to $286.9 billion. Hong Kong ranked first among stock exchange markets globally in terms of the amount of funds raised through IPOs in 2025.
  2. The *residential property market* showed a visible turnaround in 2025. After a relatively soft first quarter, the market has gained a firmer footing since the second quarter. Momentum started to strengthen more noticeably in the ensuing quarters, buttressed by robust local economic growth, strong performance of the local financial market and the start of interest rate cuts in the US. For 2025 as a whole, the number of transactions, in terms of the total number of sale and purchase agreements for residential property received by the Land Registry, increased further by 18% to a four-year high of 62 832. Overall flat prices reverted to a modest increase of 3% after three years of declines. The index of home purchase affordability increased to around 59% in the fourth quarter as flat prices rose further, above the long‑term average over 2005‑2024. Overall flat rentals sustained solid performance throughout 2025, rising further by 4% over the year with the overall flat rental index surpassing the 2019 peak. The *non-residential property market* stayed comparatively sluggish in 2025. Prices and rentals across all major market segments remained soft, but trading activities picked up visibly.

**Inflation**

* 1. Consumer price inflation remained modest throughout 2025. Price pressures on major components were generally soft, as cost pressures on the domestic and external fronts stayed mild, and firms in general remained prudent in raising prices amid the early stage of recovery in local consumption. Netting out the effects of the Government’s one-off relief measures, the *underlying Composite Consumer Price Index (Composite CPI)* rose by 1.1% in 2025, same as that in 2024, with the quarterly figures moving within a narrow range between 1.0% and 1.2%. Meanwhile, *headline Composite CPI* rose by 1.4% in 2025, as compared with 1.7% in 2024. The somewhat higher headline inflation rate than its underlying counterpart in 2025 was mainly due to the smaller amount of electricity charges subsidy and lower rates concession offered by the Government compared with the preceding year.
  2. As a broad measure of the overall change in prices in the economy, the increase in the *GDP deflator* slowed to 1.0% in 2025 from 4.2% in 2024. The *terms of trade* turned to a slight decrease of 0.3% in 2025, following a 0.7% increase in the preceding year. Taking out the external trade components, the domestic demand deflator also saw a decelerated increase of 1.5% in 2025, after rising by 2.8% in the preceding year.



**Net output of major economic sectors**

* 1. The statistics of net output of major economic sectors are only up to the third quarter of 2025. For the first three quarters of 2025 combined, the net output of the services sector increased by 3.0% year-on-year in real terms, further to the 2.3% annual increase in 2024. Most major services sectors saw improvement in net output for the first three quarters combined. In particular, import and export trade and financing and insurance registered visibly accelerated growth in net output, and most other sectors showed mild to moderate growth. Net output of wholesale and retail trades and accommodation and food services continued to decline, but the extents of decline narrowed. Yet, the net output of real estate turned to a decline. As for the secondary sector, the net output of the manufacturing sector saw somewhat faster growth, but that of the construction sector turned to decline.

**Table 1.3 : Net output of major economic sectors**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Share of GDP# (%) | Year-on-year rate of change in real terms (%) | | | | |
|  | 2024 | 2024 | 2025 | | | |
|  |  |  | Q1-Q3 | Q1 | Q2 | Q3 |
| Manufacturing | 1.0 | 0.8 | 2.4 | 0.7 | 0.9 | 5.3 |
| Construction | 4.3 | 4.5 | -8.2 | -4.9 | -10.8 | -8.7 |
| Services | 93.6 | 2.3 | 3.0 | 2.4 | 3.5 | 3.1 |
| Import/export, wholesale and retail trades | 17.2 | 0.9 | 5.2 | 4.2 | 6.4 | 5.2 |
| Import and export trade | 14.8 | 2.9 | 6.2 | 6.3 | 7.3 | 5.2 |
| Wholesale and retail trades | 2.4 | -9.8 | -1.3 | -9.1 | 0.2 | 4.6 |
| Accommodation and food services | 2.0 | -1.8 | -1.3 | -2.5 | -0.4 | -0.9 |
| Transportation, storage, postal and courier services | 6.1 | 10.7 | 3.3 | 2.6 | 5.5 | 2.2 |
| Transportation and storage | 5.9 | 11.4 | 3.4 | 2.6 | 5.7 | 2.4 |
| Postal and courier services | 0.3 | -1.2 | 1.2 | 2.4 | 2.2 | -1.2 |
| Information and communications | 3.3 | 1.8 | 0.6 | 1.0 | 0.2 | 0.6 |
| Financing and insurance | 26.2 | 1.3 | 4.8 | 3.7 | 5.2 | 5.4 |
| Real estate, professional and business services | 8.2 | 2.2 | -0.5 | -0.5 | -0.8 | \* |
| Real estate | 3.1 | 3.2 | -3.1 | -4.2 | -4.6 | -0.6 |
| Professional and business services | 5.1 | 1.7 | 1.2 | 1.8 | 1.4 | 0.3 |
| Public administration, social and personal services | 20.5 | 3.3 | 2.2 | 2.0 | 2.6 | 2.1 |

Notes : Figures are subject to revision later on as more data become available.

(#) Percentage share of nominal GDP at basic prices. Only annual figures are available.

(\*) Change within ± 0.05%.

**Other economic developments**

* 1. The 2025 Policy Address set clear goals and an actionable blueprint to accelerate Hong Kong’s economic and social development, promote Hong Kong’s full integration into the overall national development, and strengthen Hong Kong’s role in international cooperation. It focused on two key pillars – economic development and livelihood improvement – supported by short, medium, and long-term policies. Some major economic measures include:
* Accelerating the development of the Northern Metropolis;
* Promoting industry development and reform, including the introduction of preferential policy packages to attract more enterprises;
* Consolidating Hong Kong’s traditional strengths and enhancing its status as an international hub for finance, trade, shipping, aviation and international legal and dispute resolution services centre;
* Promoting the integrated development of education, technology and talents, with a view to building rich talent resources, knowledge reserve, and capacities for scientific and technological innovation, thereby enhancing Hong Kong’s competitiveness; and
* Advancing the integrated development of culture, sports and tourism, generating fresh economic momentum and raising Hong Kong’s global appeal.
  1. Hong Kong’s strengths and competitiveness in multiple aspects have been well recognised internationally and witnessed improvement in various rankings in 2025. Hong Kong continued to rank as the world’s freest economy in the Fraser Institute’s *Economic Freedom of the World 2025 Annual Report*. Meanwhile, in the *World Competitiveness Yearbook 2025* published by the International Institute for Management Development (IMD), Hong Kong’s ranking rose for the second consecutive year to third place globally. This marked Hong Kong’s return to the global top three for the first time since 2019. On finance, Hong Kong’s ranking maintained at third place globally and first place in Asia Pacific in the *Global Financial Centres Index 38 Report* published by Z/Yen and the China Development Institute, and the rating gaps with first place (New York) and second place (London) narrowed amid an increase in Hong Kong’s overall rating. On innovation and digital development, Hong Kong’s ranking rose by three places to fourth globally in the IMD’s *World Digital Competitiveness Ranking 2025*. In the *Global Innovation Index (GII) 2025* published by the World Intellectual Property Organization, the Shenzhen-Hong Kong-Guangzhou cluster ranked first among the top 100 innovation clusters, and Hong Kong’s ranking in the GII 2025 rose by three places to 15th globally. In the IMD’s *World Talent Ranking 2025*, Hong Kong’s ranking leapt markedly to fourth globally from ninth in the previous year, marking the highest-ever ranking and moving to the top spot in Asia.

**Notes :**

1. The Gross Domestic Product (GDP) is an overall measure of net output produced within an economy in a specified period, such as a calendar year or a quarter, before deducting the consumption of fixed capital. In accordance with the expenditure approach to its estimation, GDP is compiled as total final expenditures on goods and services (including private consumption expenditure, government consumption expenditure, gross domestic fixed capital formation, changes in inventories, and exports of goods and services), less imports of goods and services.
2. The seasonally adjusted quarter-to-quarter GDP series, by removing the variations that occur at about the same time and in about the same magnitude each year, provides another perspective for discerning the trend, particularly in regard to turning points. A detailed examination reveals the presence of seasonality in the overall GDP and in some of its main components, including private consumption expenditure, government consumption expenditure, exports of goods, imports of goods, exports of services, and imports of services. However, due to the presence of considerable short‑term fluctuations, no clear seasonal pattern is found in gross domestic fixed capital formation. Therefore, the seasonally adjusted series of GDP is compiled separately at the overall level, rather than summing up from its main components.